DEPARTMENT OF THE NAVY
NAVAL AIR SYSTEMS COMMAND
NAVAL AIR SYSTEMS COMMAND HEADQUARTERS
WASHINGTON, DC 20361 -0001

IN REPLY REFER TO
NAVAIRINST 7040.16B
AIR-8011
21 Apr 88

NAVAIR INSTRUCTION 7040.16B

From: Commander, Naval Air Systems Command

Subj: FUNDING OF INTEGRATED LOGISTIC SUPPORT COSTS

Ref: (a) NAVCOMPT Manual Volume 7
(b) DEPSECDEF memo of 30 Apr 81, Improving the Acquisition Process
(c) NAVCOMPT ltr 7113 NCB-523 of 21 Apr 87

Encl: (1) Interim Support and ILS Investment/Expense Decision Diagram
(2) ILS Cost Financing Decision Matrix

1. Purpose. This instruction provides policy and procedures based on reference (a) for funding integrated logistic support (ILS) costs. The guidance in reference (b) on realistic funding of logistics and support costs for major weapons systems has been included in this instruction.

2. Cancellation. This instruction supersedes NAVAIR Instruction 7040.16A of 1 October 1981. Since this is a major revision, changes are not indicated.

3. Funding. ILS costs will be funded as indicated in enclosure (1) and as defined below:

a. Research, Development, Test and Evaluation, Navy (RDT&E,N) Funds. The ILS effort, hardware and software, should be established and procured while a system or an equipment is in the development phase. The costs, including feasibility, trade-off, planning systems, contractor engineering and technical services (CETS), preliminary logistics support analysis, and technical investigations are chargeable at that time to the RDT&E,N appropriation. Funds to cover the costs should be included in the project budget estimates. Adequate front-end funding for test hardware to ensure proper weapon system development is a specific reference (b) recommendation. This process should improve system reliability and reduce system corrective action requirements.

b. Procurement Funds. The ILS efforts directly related to support of the weapon system production are appropriate charges to the applicable procurement account. Requirements qualifying for procurement appropriation funding will be reflected in the budget on the aircraft or missile cost sheets for the aircraft procurement, Navy and weapons procurement, Navy appropriations, respectively.

If the cost qualifies for funding from the other procurement, Navy appropriation, funds will be reflected in the budget on the program cost breakdown sheet. The following provides a partial list of the types of ILS efforts covered by the procurement appropriations:

(1) Technical, logistic, and engineering investigations integral to the execution of hardware procurement are properly funded by procurement appropriations. These efforts include investigations initiated for production equipment layouts, engineering changes, and improvement to the manufacturing process; ILS plans; maintenance planning; training planning; site activation planning; and production scheduling and planning.

(2) CETS required to directly support introduction of systems, components, modification kits and other investment end items for a period not to exceed 12 months after government acceptance of the first production unit. A signature on a form DD 250, Material Inspection and Receiving Report, usually constitutes government acceptance.

(3) Acceptance testing of a production end item.

(4) All ILS costs should be budgeted on a time-phased, lead time away basis from actual need. Recurring ILS efforts should be budgeted on an annualized basis. However, all remaining ILS costs for a multiyear procurement program should be included in the last fiscal year (FY) buy. This is to avoid requesting production support funds in a subsequent FY in which no end item is budgeted.

c. Operations and Maintenance, Navy (O&M,N). When required, general ILS costs for out-of-production and in-service systems and equipment are properly chargeable to the O&M,N appropriation and will be funded by the specific technical program budget line item concerned. This includes the costs of feasibility, trade-off, planning systems, and technical and engineering investigations. It should be noted that contractor services performed during the interim support period prior to the Navy support date are intrinsically expenses, and should be funded in O&M,N unless proven to support the production process.

d. Navy Stock Fund (NSF) Repairables. Procurement appropriations will finance ILS costs of an item designated for NSF management if the item is the same type and model produced for a weapon system or an equipment currently in production. This includes reverse engineering efforts associated with the competition and break out of spares initiatives. The NSF will fund ILS costs of all other items carried in the stock fund. Reference (c) pertains. Enclosure (2) provides a funding matrix with examples of types of costs financed by the NSF.

4. Budgeting. Upon receipt of budgeting, programming, and planning guidance, applicable program managers should contact

the appropriate acquisition program manager for logistics/ logistic element manager, to ensure that ILS requirements are identified and addressed in the weapon system budget submissions throughout each budget cycle. The Naval Air Systems Command (NAVAIR) organizations for logistic requirements are noted as follows:

ILS Elements	Functional Logistics Manager
Maintenance Planning	Maintenance Planning Policy Section (AIR-41112)
Manpower and Personnel	Aviation Training Systems Program Coordination Office (APC205)
Supply Support	Supply Policy Management and Financial Programs Division (AIR-412)
Support Equipment	Support Equipment Logistics Management Division (AIR-417)/Support Equipment Division (AIR-552)
Technical Data	Integrated Logistics Support Policy Branch (AIR-4111)
Training and Training Support	Aviation Training Systems Program Coordination Office (APC205)
Computer Resources Support	Information Systems Branch (AIR-4114)
Facilities	Facilities Management Division (AIR-422)
Packaging, Handling, Storage and Transportation	Supply Policy Management and Financial Programs Division (AIR-412)
Design Interface	Product Integrity Management Division (AIR-516)

Other Weapon System Logistic Requirements	Functional Logistics Manager
Contractor Engineering and Technical Services (CETS)	Production Support Management Office (AIR-41P)
Calibration	Support Equipment Logistics Management Division (AIR-417)
Support Equipment Rework	Support Equipment Logistics Management Division (AIR-417)

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Other Weapon System Logistic Requirements	Functional Logistics Manager
Configuration Management	Configuration Policy (AIR-1022B)/Modification Management Office (AIR-410C)
Weapon System Support	Production Support Management Office (AIR-41P)
Depot Management	Deputy Assistant Commander for Aviation Depots (AIR-43)/Operations and Manpower Budget Division (AIR-804)/Naval Aviation Depot Operations Center (NAVAVNDEPOTOPSCEN)

The generic logistic requirements and NAVAIR functional organizations identified represent most, but not all, required support items for a weapon system. It is incumbent upon all personnel involved with budgeting for a program or project to ensure that all logistic requirements are properly identified and realistically priced.

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Comptroller
Acting

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ILS COST FINANCING DECISION MATRIX

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Encl (2)